

ORIGINAL

Sprint

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July 12, 1999

Ms. Magalie Roman Salas
Secretary - Federal Communications Commission
The Portals, 445 Twelfth St., SW
Washington, D.C., 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: CC Docket No. 96-262

Dear Ms. Salas,

On July 9, 1999 Jim Sichter, Jim Appleby, Dick Juhnke, and the undersigned, representing Sprint, met with Tamara Preiss, Florence Setzer, Aaron Goldschmidt, and Neil Fried of the Competitive Pricing Division. The purpose of the meeting was to discuss access pricing flexibility. The attached materials served as the basis for the discussions. In addition to the attached, we discussed whether collocation is a useful measure for determining the level of competition for transport. Specifically, we pointed out that collocation arrangements do not necessarily involve the replacement of ILEC transport. Rather, many collocation arrangements may be used to locate equipment closer to end users in order to provide certain services, such as with Sprint's ION. In these instances, the collocater remains completely reliant on ILEC transport.

In accordance with Section 1.1206(b)(2) of the Commission's rules, the original and one copy of this notice are being submitted for inclusion in the docket identified above. If there are any questions, please call.

Sincerely,



Pete Sywenki

Attachment

cc: Neil Fried
Tamara Preiss
Rich Lerner
Steve Spaeth

Aaron Goldschmidt
Florence Setzer
Jay Atkinson

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List ABCDE

Access Pricing Flexibility

Zone Density

- Eliminate preconditions for implementation of zone density pricing
 - Zone density intended to allow rates to better reflect costs; cost-based pricing is desirable regardless of the presence of competition
 - Different thresholds for switched and special have created difficulties and limited usefulness of zone density pricing
 - e.g., if special threshold reached, but not switched, deaveraging only special access rates created administrative difficulties and customer confusion

Access Pricing Flexibility

Zone Density

- Expand upward pricing flexibility limit
 - Current rule limiting upward flexibility to +5% is too limited
 - With current levels of inflation and productivity offset, price cap rate reductions exceed 5%; even using the maximum +5% upward pricing flexibility still results in absolute decreases in rates in low density, high cost areas
 - In some instances, zones have become “unbalanced”, as demand in high density zones has grown faster than demand in lower density zones; as a result, the ability to decrease rates in higher density zones on a revenue neutral basis is very limited
 - The Commission should revise its rules to permit a +10% upward pricing flexibility
 - Helps “jump start” deaveraging to cost based levels

Access Pricing Flexibility

Zone Density

- The number of transport zones permitted should be expanded
 - Existing zones don't always correspond to market areas
 - Allow at least 4 zones
 - Could be linked to number of zones for UNEs
 - ILECS would be permitted to reclassify offices into the new zones
 - Revenue neutral
- Eliminate eligibility criteria for term discounts on switched transport

Access Pricing Flexibility

Customer Specific Pricing

- Sprint's concern regarding RBOC attempts at portraying special access market fully competitive two-fold
 - RBOCs attempting to lock in retail customers prior to LD entry
 - RBOC ICBs will favor RBOC LD affiliate
 - especially harmful given "BellEast/BellWest" scenario
 - Thus, any RBOC contract pricing (ICB) must include safeguards to protect against RBOC ability to use market power to harm competition

Access Pricing Flexibility

Customer Specific Pricing

- Clearly, RBOCS have not fully utilized existing special access pricing flexibility
 - Prices increased for most RBOCs with July filing - at or near cap
 - Very few instances of RBOC zone pricing
 - RBOCs retain significant market power - especially in end user customer channel terminations
 - some competitive growth in interoffice transport, especially in Zone 1 offices
 - some minimal growth in Zone 1 office end user competitive alternatives

Access Pricing Flexibility

Customer Specific Pricing

- Contract pricing should be limited to end users in Zone 1 offices with the following restrictions:
 - Make retail contract pricing available via resale
 - no termination penalty to “transfer” contract
 - enables the RBOC to provide underlying facilities in all instances
 - no limit on service type (DS3, DS1, voice grade)
 - RBOC can combine services region-wide
- RBOC long distance affiliate must purchase access services at no less than average cost of all access customers - lower than average unit cost will be evidence of discriminatory pricing